



Contribution Rate Setting Overview

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Today's Presentation

- Basic and supplemental contribution rates
- Schedule for rate adoption
- Coordination with PFC
- Today's material is informational
 - No Board action required
 - Prepares Board for decisions needed later in interim



Contributions Pre-Fund The Plan

- Washington State uses systematic actuarial funding
 - Regular payments (contributions) over time
- Contributions are pooled in the trust fund
 - Investment earnings help cover the cost of future benefit payments
- Two types of contributions
 - Basic - ongoing rates
 - Supplemental - temporary rates
- Board's fiduciary responsibility to adopt contribution rates



Contributions For LEOFF 2

- Come from
 - Members
 - Local employers
 - State
- Use Aggregate actuarial cost method
- Minimum contributions based on Entry Age Normal Cost method
 - Equals 90 percent EANC
 - EANC is the long-term expected cost of the plan



Basic Contribution Rates

- Determined based on results of actuarial valuation performed every two years
- Audited by an outside actuary
- Rates are effective in the following biennium
- 2010 is rate-setting year
 - Uses 2009 actuarial valuation
 - Rates are effective for 2011-13 Biennium



Supplemental Contribution Rates

- Temporary rate increase to pre-fund cost of new benefit improvements
- Supplemental rates are determined for each bill independently
- Typically audited by an outside actuary
- Rates are effective September 1
 - Can vary depending on effective date of legislation
- Roll into basic rates with next rate-setting cycle
 - Benefit improvements included in actuarial valuation



Current Contribution Rates

Current Contribution Rates	
Member	8.46%
Local Employer*	5.08%
State	3.38%

**Excludes administrative expense charge of 0.16%.*

- Based on 100 percent EANC from June 30, 2007, valuation
- Adopted for 2009-11 and 2011-13
- Includes supplemental rates from 2009 legislation
 - 0.01 percent for Fish & Wildlife Enforcement Officers



Benefit Improvements From 2010 Legislation

Supplemental Rate Impact			
Bill	Member	Local Employer	State
Duty-related death benefits for public safety employees HB 2519	0.05%	0.03%	0.02%
Catastrophic disability medical HB 1679	0.13%	0.08%	0.05%
Shared leave SB 6453	--	--	--



Schedule For Basic Contribution Rate Adoption

■ June

- Preliminary June 30, 2009, actuarial valuation results

■ July

- Receive results from outside concurrent actuarial audit
- OSA provides final actuarial valuation results
 - Recommend basic rates for 2011-13
- PFC and LEOFF 2 Board action - rate adoption required by July 31
 - LEOFF 2 Board action - revisit current rates and decide if new rate adoption needed

■ September/October

- OSA produces final actuarial valuation report



Schedule For Supplemental Contribution Rate Adoption

- May/June
 - Preliminary communication of supplemental rates for new laws
 - Possible audit
- July
 - Final communication of rates
 - LEOFF 2 Board action - adopt rates no later than July 31
- August
 - DRS communication - 30-day notice to employers
- September 1
 - New rates collected



Coordination With Pension Funding Council

- PFC receives audit results and final actuarial valuation results in July
- Rate adoption required by July 31
- Past practice
 - LEOFF 2 Board coordinates with PFC for outside audit of actuarial valuation
 - LEOFF 2 Board reviews PFC action on basic rates as part of their adoption process
- LEOFF 2 Board not required to coordinate with PFC



Next Steps

- Supplemental contribution rates
 - Preview and adopt - no later than July 31
- Basic contribution rates
 - Preview in June
 - Adopt by July 31
 - Policy decision - maintain current minimum rates or adopt new rates



Questions?

